

Millions of Americans could be stunned as their tax refunds shrink

Most received a tax cut in 2018, but their refunds won't necessarily stay the same

By [Heather Long](#)

February 10 at 6:08 PM

Millions of Americans filling out their 2018 taxes will probably be surprised to learn that their refunds will be less than expected or that they owe money to the Internal Revenue Service after years of receiving refunds.

People have already taken to social media, using the hashtag #GOPTaxScam, to vent their anger. Many [blame President Trump](#) and the Republicans for [shrinking refunds](#). Some on Twitter even said they [wouldn't vote for Trump again](#) after seeing their refunds slashed.

The uproar follows the [passage of a major overhaul to the tax code](#) in December 2017, which was enacted with only Republican votes and is considered the biggest legislative achievement of Trump's first year. While the vast majority of Americans received a tax cut in 2018, refunds are a different matter. Some refunds have decreased because of changes in the law, such as a new limit on property and local income tax deductions, and some have decreased because of how the IRS has altered withholding in paychecks.

John Prugh of Ewing Township, N.J., was [irate](#) when he completed his 2018 tax return this month and discovered his refund would be \$3,000 less than what he received last year. Prugh considers himself "solidly middle class."

The 39-year-old is a manager at a Barnes & Noble bookstore, and his wife works for the state government. They have two children. Prugh said he had no reason to believe their tax situation would change this year because he and his wife have lived in the same house for years while their incomes have remained stable.

“It totally feels like a scam,” said Prugh, who did not vote for Trump. “I did still get a small refund, but compared to what I was expecting from previous years, it was shock.”

The average tax refund check is down 8 percent (\$170) this year compared to last, the IRS [reported](#) Friday, and the number of people receiving a refund so far has dropped by almost a quarter.

An IRS spokesman cautioned not to read too much into early data because it reflects only returns processed through Feb. 1, and the partial government shutdown [caused delays](#) in processing filings.

Early data can shift a lot, tax experts say, but there’s reason to believe frustrations could rise as more Americans complete their tax returns. The Government Accountability Office [warned](#) last summer that the number of tax filers who receive refunds was likely to drop for the 2018 tax year, while the number of filers who owe money would rise.

The GAO pointed to an IRS estimate that about 4.6 million fewer filers would receive refunds this tax filing season. Another 4.6 million filers were likely to owe money who had not had that experience in the past.

There is no estimate for how many people could still receive a refund but a smaller one than before.

Many Americans may confuse their meager refunds as a sign that they paid more in taxes as a result of the [Tax Cuts and Jobs Act](#). Generally, that is not true.

According to the Tax Policy Center, [80 percent of filers received a tax cut](#), and about 5 percent wound up paying more in federal income taxes. The tax cuts showed up in fatter weekly or biweekly paychecks for most Americans, but few people noticed, according to [polling](#).

“There’s a difference between taxes and your refund,” said Joseph Rosenberg, a senior research associate at the Urban-Brookings Tax Policy Center at the Urban Institute. “People generally got a piece of their tax cut last year gradually in the form of lower withholding on their paychecks.”

Many families received a tax cut, but their refunds are smaller this year because the IRS made major changes to the “withholding tables” — the amount the federal government recommends taking out of your paycheck for federal income taxes — in the new tax law.

The IRS attempted to set withholding levels so that more people would pay correct taxes, meaning they neither owe anything to the IRS at the end of the year nor receive a refund.

“Getting a tax refund means that you gave the government an interest-free loan because you overpaid your taxes,” said Nicole Kaeding, director of federal projects at the Tax Foundation, a right-leaning think tank.

Many Americans prefer refunds, even though personal finance experts [say it’s not a wise idea](#) to get one.

“It’s a mystery why taxpayers seem to be comfortable — and even happy — with getting refund checks,” Rosenberg said.

The IRS [encouraged Americans to review their withholding level](#) last year, but few did. About 75 percent of filers received refunds in recent years. Many Americans appear to like getting a refund because they feel that if they received an extra \$20 to \$40 a week, they would spend it. But when they get a one-time refund of \$1,000 to \$2,000, they put it toward paying off credit card debt, paying down a mortgage or saving for retirement.

“I am really frustrated with my refund this year. I was expecting good chunk of change. I was going to put it toward buying a car,” said Sal Ramirez, a 20-year-old packaging designer in San Gabriel Valley,

Calif. He earns \$45,000 and said he received a refund last year of more than \$1,200 because he puts zero withholding on his W-4 form at work.

Ramirez just got his refund from the IRS, and it's only \$900 this year, almost certainly because of changes to the withholding tables. He figures he'll need to save a few more months for a car.

The refund situation marks the latest potential trouble for Republicans over their tax bill. They argued it would be a political victory, but it has consistently [polled poorly](#).

Ramirez, who did not vote for Trump, couldn't remember whether his total tax bill went up or down. He was just focused on his refund.

In New Jersey, Prugh appeared to be hit by both factors affecting refunds this year: His overall tax bill is higher, and his withholding looks to be a little lower. His family was affected by the new law's \$10,000 cap on state and local taxes (i.e. property taxes and state and local income taxes). He said in the past he normally deducted about twice that amount. He also was hurt by the [elimination of the option to deduct mileage](#) for work. The higher standard deduction under the new law did not counterbalance losing other deductions.

"I did not vote for Trump," Prugh said. "As active as I got in the last election cycle and as active as I plan to be in 2020, this put more urgency behind it than almost any other thing that has happened."